

Legislative Fiscal Bureau

Fiscal Note

SF 445 - Local Option Sales Tax for Schools (LSB 2304 SZ)

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Fiscal Note Version — New

Description

Senate File 445 amends the current school infrastructure local option sales and services tax (SILO) by creating a shared financing program. After April 1, 2003, SILO taxes would be deposited in the Secure an Advanced Vision for Education Fund. A guaranteed per pupil amount is established by estimating the total revenue that would be generated by a 1.0% sales tax in all counties divided by the number of Iowa students. If the per pupil amount generated by the sales tax in a county is less than the guarantee, the county would receive a supplemental from the Secure an Advanced Vision for Education Fund to make up the difference. School districts in counties with the tax in place prior to April 1, 2003, would receive the greater of the amount they would receive under current law or that amount plus the supplemental, bringing them up to the guarantee. School districts in counties implementing the tax after April 1, 2003, would receive the guarantee amount or their pro rata share plus the supplemental. If the revenues in the Fund are insufficient to meet the supplemental costs, the available funds will be distributed proportionately to the number of students. The Bill also expands the permitted use of SILO tax revenues to include debt service and sunsets SILO taxes as of December 31, 2022.

Assumptions

1. Thirty-five counties have implemented or voted to implement a school infrastructure local option sales and services tax (SILO).
2. All remaining counties will implement the SILO tax. To the extent that counties that would produce revenues in excess of the guaranteed school infrastructure amount choose not to implement the tax, the additional amounts to pay for the supplemental costs will decrease.
3. The guaranteed school infrastructure amount is estimated to be \$575 per pupil.
4. Of the 99 counties, 83 would fall below the guaranteed school infrastructure amount and would be eligible for the supplemental. Supplemental costs are estimated to be \$55.2 million.
5. Of the 16 counties generating revenues in excess of the guarantee, 11 already have a SILO tax and would keep the excess. The five remaining counties could generate excess revenues of up to \$15.9 million that would be used for the supplemental costs.
6. There will be a \$39.3 million shortfall in SILO revenues to pay the supplementals. With a pro rata adjustment, the supplemental will be \$62.00 per student, instead of the average supplemental cost of \$214 per student to bring all up to the guaranteed school infrastructure amount.

Fiscal Impact

The Bill does not increase or decrease revenues for the General Fund. There may be some impact on FY 2004 on a cash basis, as estimated payments are made to the counties and the sales tax receipts will not be received until July 2004 during the reconciling period.

If the remaining 64 counties were to implement a SILO tax, schools would receive an estimated \$100.9 million for infrastructure and debt service.

Sources

Department of Revenue and Finance
Iowa Association of School Boards

/s/ Dennis C Prouty

April 17, 2003

The fiscal note and correctional impact statement for this bill was prepared pursuant to Joint Rule 17 and pursuant to Section 2.56, Code of Iowa. Data used in developing this fiscal note and correctional impact statement are available from the Legislative Fiscal Bureau to members of the Legislature upon request.
